Mr. K. Srikantiah.—

If Members of the Assembly are appointed to Government service like this, would it not create discontent among those already in service ?

Second Member of Council.—

That is a matter of opinion.

Mr. K. Srikantiah.—

Did Government voluntarily appoint those two gentlemen?

Dewan.—

I am sorry, it is not possible to answer that question.

Mr. Rama Das.—

Are not Executive Council members in British India selected from the Legislative Councils ?

MR. P. SUBBARAMA CHETTY (Mysore Chamber of Commerce).—

Q.—68. Will the Government be pleased to state:—

Since how long the seat on the Legislative Council occupied by the late Mushir-ul-Mulk Mir Humza Hussain has been vacant and why?

SECRETARY TO GOVERNMENT, LAW DEPARTMENT.—

A.—68. The seat has been vacant since 5th March 1928 and has recently been filled up.

GOVERNMENT BUSINESS.

Bill to amend the Mysore Co-operative Societies Regulation, VII of 1918.

THE THIRD MEMBER OF COUNCIL explained the general principles of the Bill in the following terms :—

The House is aware that the question of enabling our agriculturists to redeem their prior indebtedness has been under the consideration of Government for some time past. In their proceedings No. G. 11438-44—Sany. 30-26-7, dated 10th April 1928, Government have decided to establish a Land Mortgage Bank for this purpose with its headquarters at Bangalore. The Bank will, for the time being, operate in

the Sagar Taluk in the Shimoga District, Koppa Taluk in the Kadur District, Manjarabad Taluk in the Hassan District and Tumkur Taluk in the Tumkur District.

The main function of the Bank is to advance loans repayable in 25 to 30 annual instalments for the repayment of prior indebtedness, the funds required therefor being obtained by the issue of debentures. In accordance with the recommendation of the Royal Commission on Agriculture in India, it is proposed to bring the Land Mortgage Bank under the Mysore Co-operative Societies Regulation and for this purpose certain amendments in the existing Co-operative Societies Regulation are necessary. The bye-laws approved by Government for the Land Mortgage Bank provide among other matters—

(i) for the appointment of a Director of the Land Mortgage Bank (he will have to be appointed as a Registrar of Co-operative Societies for Land Mortgage Institutions);

(ii) for a smaller proportion than 25 per cent of the net profits being credited to the reserve;

(iii) for the Bank having a prior right on lands mortgaged to it in respect of loans advanced for redemption of prior debts;

(iv) for nomination by Government of a trustee and of Government representatives on the Board of Supervision and of the Board of Directors;

(v) for the Director of Land Mortgage Banks being the Court for the Land Mortgage Bank as the Registrar of Co-operative Societies is the Court for the other kinds of Co-operative Societies; and

(vi) for the exercise by the Land Mortgage Bank of the right of foreclosure of mortgaged lands in certain circumstances.

The first, second, third and fourth points require the amendment of certain sections of the Co-operative Societies Regulation, and the last two are proposed to be provided for by the issue of subsidiary rules under Clause (*l*) of Section 44.

A copy of the draft Bill is appended.

Bill to Amend the Mysore Co-operative Societies Regulation, VII of 1918

Whereas it is expedient to amend the Mysore Co-operative Societies Regulation, 1918, it is hereby enacted as follows ;—

1. In Section 2 of the said Regulation, the following clause shall be added after clause (*b*):—

"(*bb*) 'Board of Supervision' means the body of persons constituted for supervising the management of a registered Society."

2. In Section 4, between the words "Mysore" and "and" the words "or for any class of Co-operative Societies" shall be inserted.

3. In sub-section (1) of Section 14, the words "as to maximum holding" shall be deleted.

4. In Section 19 the following clause shall be added:—

"(*c*) in respect of the loan of money for the redemption of the mortgage upon agricultural land—upon such land."

5. In the proviso to Section 33, between the words "in any year" and "have been carried" the following words, namely,

"or such smaller proportion thereof as the Government may prescribe in the case of any class of registered Societies" shall be inserted.

6. In sub-section (2) of Section 44, (1) in clause (*g*) between the words "of" and "the Committee" in the two places where they occur and also between the words "by" and "the Committee," the words "the Board of Supervision and," shall be inserted;

(2) the following clause shall be added after clause (*g*):—

"(*gg*) provide for the appointment of a trustee for any registered Society and for the powers to be exercised, and the duties to be performed by him and the form of investment or deposit of the funds credited to his account in trust for the liquidation of debentures."

(3) in clause (*l*), between the words "Committee" and "or," the words "or the Board of Supervision" shall be inserted.

7. After Section 47 the following new Sections shall be added:—

47A. The Government may appoint one of its officers as a member of the Committee and of the Board Supervision, if any, of a registered Society, whether he is a member of the Society or not, when the interest on any loan raised by the Society is guaranteed by the Government or when contribution of any kind is made by the Government to the capital or the working expenses of the Society.

47B. When any part of the capital of a registered

Society consists of loans raised by debentures issued by the Society, not less than two members of the Committee and of the Board of Supervision, if any, shall be representatives of the holders of such debentures, whether they are members of the Society or not, and they shall be selected in the manner prescribed by the Government.

MR. CHANNAPPA said that in clause (1) "for the appointment of a Director of the Land Mortgage Bank . . ." was not necessary and as there was already a Registrar of Co-operative Societies, the same officer might be appointed as the Director of the Land Mortgage Bank.

THE THIRD MEMBER OF COUNCIL replied that the Royal Commission on Agriculture in India were also of the same opinion and that he himself agreed with them. But in the earlier stages there was much work to be done and it was not desirable to add it on to the Registrar of Co-operative Societies who had already much work to do by himself.

MR. CHANNAPPA thought that the creation of another officer would introduce an element of duality of control and that, as the Co-operative Societies Regulation was proposed to be amended, it was better to have only one officer.

THE THIRD MEMBER OF COUNCIL replied that there was nothing to show that that would not be done but that, to start with, a Special Officer was necessary.

With reference to Clause (6), MR. KRISHNAMURTHIACHAR wanted to know whether Government had any hold on the lands even after the discharge of the loans obtained from the Bank. He said that he felt that doubt from what was stated in the Kannada copy of the Bill.

THE THIRD MEMBER OF COUNCIL replied that it was a pity that the translation was not accurate and said that the Bank could not have any hold after the loan was discharged.

MR. C. NARASIMHAIYA asked as to why the Bank was proposed to be started only in Shimoga, Kadur, Hassan and Tumkur Districts and why Mysore District (Heggadadevankote, etc.) was omitted in the list.

THE THIRD MEMBER OF COUNCIL replied that only the amendment of the Regulation was being considered and that the policy was not being discussed. He added that the Bill would not stand in the way of the scheme being extended.

With reference to Clause (1), MR. D. S. MALLAPPA said that the work of the Banks would mostly be carried on by the Secretaries, Boards of Directors, establishment, etc.,

and that there was not sufficient work for a whole-time Director. He was therefore of opinion that the work might be entrusted to the Registrar of Co-operative Societies.

THE THIRD MEMBER OF COUNCIL replied that he also was of the same opinion that eventually the work should be entrusted to the Registrar of Co-operative Societies but that there must be an enabling provision to appoint a separate officer if found necessary in the earlier stages.

MR. MALLAPPA was afraid that if there be a provision, an unnecessary appointment might be created involving additional expenditure.

THE THIRD MEMBER OF COUNCIL replied that Government had no idea of unnecessarily increasing the establishment and that the point raised by the member would be considered.

MR. NILGIRI SANJEEVIAH and several other members said that since all the work of the Bank would be carried on through the Co-operative Societies, it was not either necessary or desirable to have a separate officer as Director.

THE THIRD MEMBER OF COUNCIL said that it was not the intention of Government to appoint a separate officer if there was not sufficient work for him but that it was necessary to have a provision for it in case of necessity.

MR. MAHOMED SAIT said that he objected to the appointment of a separate officer from the financial point of view.

MR. K. SRIKANTIAH suggested that in view of the state of the existing Co-operative Societies and the nature of the business to be developed, the work of the Land Mortgage Banks might be entrusted to the Director of Agriculture, more especially as the Bill had reference to the relief of agricultural indebtedness.

THE SECOND MEMBER OF COUNCIL replied that the Director of Agriculture was expected to attend to only the technical work.

MR. H. C. DASAPPA asked whether the House agreed to the appointment of a separate officer. In case the work was to be added on to any other department, he said that it was better to entrust it to the Registrar of Co-operative Societies.

THE SECOND MEMBER OF COUNCIL replied that if no additional officer was appointed, the work would be attached to the Registrar of Co-operative Societies.

MR. DASAPPA asked as to which officer would audit the accounts, if a separate Director was appointed.

THE THIRD MEMBER OF COUNCIL replied that the Director would be the Registrar for this class of societies and that he would audit the accounts of such Banks.

MR. DASAPPA asked whether one work could be done by two officers.

THE THIRD MEMBER OF COUNCIL replied that even in British Provinces additional Registrars were appointed, and that this could be done in Mysore if necessary.

MR. DASAPPA observed that when the Co-operative Societies Regulation was proposed to be amended to include the work connected with the Land Mortgage Banks also, the jurisdiction, the directorship, etc., should remain with the Registrar of Co-operative Societies and that there should not be more than one officer in charge. He added that if there had been a separate Land Mortgage Bank Regulation, the appointment of a separate Director would be all right. He then wanted to know what was the minimum loan that would be granted under the scheme.

THE THIRD MEMBER OF COUNCIL stated that not less than Rs. 500 and not more than Rs. 5,000 would be given. All these would be included in the bye-laws.

MR. DASAPPA was particular that there would be no competition between the Bank and the Co-operative Society in regard to the grant of loan. In this connection, he asked what the duration of the loan was proposed to be.

THE THIRD MEMBER OF COUNCIL replied that it was not less than 25 years and not more than 30 years.

MR. DASAPPA then wanted to know the rate of interest —maximum and the minimum.

THE THIRD MEMBER OF COUNCIL observed that it was not possible to give all that information at that time and that it would be contained in the bye-laws.

MR. DASAPPA thought that the Assembly members should be furnished with that information.

THE THIRD MEMBER OF COUNCIL remarked that they were not discussing the scheme of Land Mortgage Banks then, but that they were concerned with legislation. He however said that the rules had already been published in the Gazette, from which it could be seen that a maximum of 8 per cent was charged on long-term loans and of 12 per cent on short-term loans.

MR. DASAPPA said that those rates were very high. When the loans were granted with the object of affording relief he said that the rate of interest must be low and suggested 7 per cent for long-term loans and about 9 per cent for short-term loans.

THE THIRD MEMBER OF COUNCIL replied that they were not discussing the rates of interest and Government had already passed orders after the subject had been fully discussed. At present they only wanted to bring the scheme into force. Government did not want to make a profit out of the interest. As far as possible, the rates of interest would be low, and the limit of 12 per cent was the maximum. He then said that Government wanted to know the opinion of the Assembly if the draft bill might be brought into force.

MR SUBBANNA NAIK asked as to when they were going to discuss the rates of interest.

THE THIRD MEMBER OF COUNCIL replied that it had already been discussed and settled before in the Assembly.

MR. SUBBANNA NAIK and some other members said that no agriculturist in the villages would come forward to borrow money at the rates mentioned by the Third Member. They added that as the borrower had not only to pay the interest but also a part of the loan, it would seriously handicap him in maintaining himself, as most part of the produce would go towards the payment of the loan with high interest.

THE THIRD MEMBER OF COUNCIL explained that the Bank would not be a Government institution and that the management would remain with the share-holders and debenture-holders. The members had to elect their own directors and the Bank could fix any rate of interest that was suitable, subject to the limits prescribed. The object of lending money from such Banks was to discharge the long pending loans and sufficient time was given by the Banks for re-paying the debt to them.

MR. VENKATARAMANE GOWDA thought that a differentiation should be made between the Land Mortgage Banks and other ordinary Banks and that the interest levied by the former should be less than that levied by the latter. He and several others said that the interest for short loans should be less than 12 per cent.

THE THIRD MEMBER OF COUNCIL replied that that was only the maximum fixed and that the Banks were at liberty to fix any rate within that maximum.

MR. DODDIAH said that in many places loans were granted at 5 or 6 per cent interest.

THE SECOND MEMBER OF COUNCIL said that even in Land Mortgage Banks such low rates could be levied if they wanted.

MR. BANDIAH suggested that the maximum rate of interest should be fixed at 8 per cent for short-term loans.

MR HOSAKOPPA KRISHNA RAO said that the scheme had been framed on the lines discussed in the Representative Assembly on a previous occasion and that it had been approved by them. He laid special emphasis on the point that it was not going to be a State Bank and that it would be managed by a Board of Directors appointed by the people themselves. He did not see any use in discussing the bye-laws in the Assembly. Under the scheme before the House, the Directors had power to reduce the rate of interest. Personally, he was himself against any high rate of interest and nobody would like to pay heavy interest. By discussing such details, he was afraid that much valuable time would be lost and that the scheme itself, for the introduction of which such strenuous efforts were made by the Malnad people, might fall through. He was of opinion that the Bank was not primarily meant for issuing short loans but for liquidating long-standing agricultural indebtedness, for which long-term loans alone were required. He thought that for such loans it whould be difficult to fix a rate lower than 8 per cent. On the other hand, if the profits increased and the establishment charges reduced, it would be possible for the Board to levy a lower rate of interest.

Continuing, he said that the Bank would be started under peculiar circumstances. The principle governing the starting of such a Bank was different from that of a Co-operative Society. Money should be collected. Debenture loans had to be issued, seeing that there was large agricultural indebtedness and that the Government would guarantee only interest on them, the debenture-holders might be afraid to purchase any debenture bonds. Boards consisting of suitable members must be constituted and they should be initiated into the banking work. For all this important preliminary work, he thought that a Special Officer was quite necessary, to advise the people and explain the object of the Bank to them. After the Banks were started, there would be no need for the continuance of that officer. He added that while the Government had been themselves graciously pleased to take the initiative in the matter, it would not be proper to bring impediments in their way. He was firmly of opinion that unless the Land Mortgage Bank was established, the people could not have relief from their pressing agricultural indebtedness, and that it was the duty of the House to see that no time was lost in bringing the scheme into operation at the earliest moment.

MR. SIDDALINGAPPA SETTY agreed with Mr. Hosa-

koppa Krishna Rao in the above views. He was of opinion that the debenture bonds should be income-tax free, as he thought that money would in that case flow in freely.

MR. SITHARAMIAH said that according to the rules, Co-operative Societies were required to set apart 25 per cent of the net profits as Reserve Fund. He asked what the percentage was in the case of the Land Mortgage Bank.

THE THIRD MEMBER OF COUNCIL replied that in the bye-laws already printed, only 10 per cent of the net profits was mentioned to be kept as Reserve Funds.

MR. SITHARAMIAH suggested at least 15 per cent might be kept as reserve.

With reference to the constitution of the Board, Mr. Seetharamiah thought that as a Government Officer would be in charge of the working of the scheme, there was no necessity for another representative of Government on the Board.

THE THIRD MEMBER OF COUNCIL said that as the Government were guaranteeing interest on debentures issued, they must have an effective voice in the management.

MR. SITHARAMIAH replied that if necessary the rate of interest might be limited, but that the appointment of a Government nominee on the Board was opposed to principle. The member further said that there might be cases of lands being hypothecated to the Bank first and then again mortgaged to others later. He asked whether this would not involve litigation.

THE THIRD MEMBER OF COUNCIL replied that Government were going to see to it that when the lands were once mortgaged to the Banks, subsequent mortgages of the same lands were not allowed. He added that as soon as subsequent mortgage came to the notice of the Bank, the loan would be recalled. Provision for this, he said, would be made in the rules.

MR. SITHARAMIAH said that on account of the above reason many Co-operative Societies were finding it very difficult to recover the money lent by them, and that in several cases they had to resort to the Civil Courts. He added that it was a very important point discussed at every Co-operative Conference.

THE THIRD MEMBER OF COUNCIL replied that safeguards would be provided in the rules.

MR. PAUL RAJU also did not think that a separate Director was called for.

The Bill was then put to vote and passed unanimously.